



Utility Resource Services

November 20, 2003

Ms. Jean Gray
Assistant Regional Manager
for Power Marketing
Western Area Power Administration
Desert Southwest Division
P. O. Box 6457
Phoenix, Az 85005-6457

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Re: Comments Regarding Amendment No. 1 of the Town of Fredonia's Parker-Davis Project Firm Electric Service Contract.

Dear Ms. Gray:

The comments contained herein are made on behalf of the Town of Fredonia (Fredonia) and we have no problem with them being posted on the Western Area Power Administration's (Western) web site. The draft Amendment No. 1 and Exhibit A-1 (Amendment) to Fredonia's original contract 87-BCA-10092 with Western for Parker-Davis Project (P-DP) power consists of two basic changes. The first extends the original contract for 20 years, from 2008 to 2028, and changes to amount of capacity and energy to be received. The second change alters the way Fredonia will pay for transmission service received from Western by requiring an advance payment prior to service being rendered. Fredonia has been doing this for P-DP generation related costs since the Advancement of Funds Contract (AOF) was approved. Accordingly, Western is requiring Fredonia to advance pay for transmission service as well.

Fredonia's comments are separated into two parts; the first dealing with specific contract or Amendment language and the second dealing with the conceptual framework of the advance funding proposal.

Subsection 5.2 of Original Contract

This subsection deals primarily with the amount of energy Fredonia can take (schedule) in any one month and cannot deviate without the consent of Western. This language is some what restrictive when compared to the process Western now has in place allowing P-DP contractors to exchange energy. Fredonia is probably the only current P-DP contractor that peaks in the winter months. This ability to move additional energy into the winter months has been very beneficial to Fredonia. We believe the language in subsection 5.2 should be modified to reflect the current process Western utilizes in allowing P-DP contractors to exchange energy from month to month so long as Western can accommodate such requests.

Subsection 5.5 of Amendment

The last two sentences of this subsection are not clear. What is the purpose, or intent, of these sentences? What is the definition of "additional facilities"? Fredonia, for example, takes delivery of P-DP at Pinnacle Peak and utilizes the CRSP transmission "facilities" for delivery to Glen Canyon. Also, Fredonia takes delivery from CRSP to Garkane Power for delivery to Fredonia. We do not know if CRSP pays an interconnection charge to Western(Desert Division). We also believe that the language might be interrupted to allow Fredonia to mitigate its CRSP transmission charges if Western determines additional facilities are needed to delivery Fredonia's power "beyond" the P-DP points of delivery. Such charge may be less than the CRSP rate.

Subsection 6.1 of Amendment

We would adopt the language included in the Colorado River Commission's comments of October 23, 2003 and as amended at the November 4, 2003 meeting of P-DP customers.

Subsection 18 of Amendment

We suggest the last full sentence of subparagraph 18.1 be modified as follows:

"Western shall submit bills and the Contractor shall pay for Excess Energy in accordance with Section 6 of this Amendment and the currently effective Energy Charge as set forth on Western's Wholesale Firm Electric Service Rate Schedule. as may be revised from time to time."

Conceptual Issues

This advance funding concept creates a confusion factor for some of your contractors, and especially Fredonia, because they have more than one transmission contract with Western. (We are also aware of other contractors who have the same problem). As mentioned earlier, Fredonia also has a CRSP transmission contract that will, we assume, not be advanced funded. Therefor, one transmission contract is paid in advance of and one after service is rendered. Will those customers who use the P-DP transmission system to receive CRSP advance fund?

Western is currently evaluating the merging of the P-DP and Intertie Transmission systems, as well as several others, for rate making purposes. What effect will this have on the FES

contracts, the AOF contracts and this Amendment? The AOF contract has established rather specific guidelines for the allocation of advance funding requirements and the rate making process is dove tailed to this AOF, i.e. "advance funds will not be greater than what would have otherwise been paid in rates." During our meetings with Western with regard to the "merger" and this Amendment the processes needed to make all this work have not been completely ironed out. One change to a particular process can have a domino effect on a number of different issues, such as, AOF, FES, Amendment, JPA, rates and the list goes on and on. For this reason, we believe trying to get this Amendment signed, sealed and delivered by April or May of 2004, without fully determining what effect these other changes will have on other issues, is optimistic. There are too many loose ends to tie up before this Amendment can be finalized.

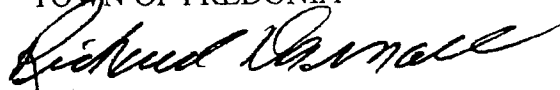
SLCAIP Contract 87-BCA-10128, Firm Transmission Service

Fredonia has a Twenty (20) year firm transmission service contract that expires on September 30, 2008 and was issued by the then Boulder City Area Manager. Will Western be amenable to extending this contract and will it be by amendment or issuance of a new contract? If it will be done by amendment can that be done in conjunction with the Amendment to the P-DP contract?

We appreciate Western's efforts in providing us information and allowing us to work with them on this important issue.

Respectfully Submitted

TOWN OF FREDONIA



Richard L. Darnall

cc: Mr. Greg Honey, Board President